Contract farming

4341. SHRI JANARDHANA POOJARY: Will the Minister of AGRICULTURE be pleased to state :

(a) whether a new concept 'Contract Farming', is catching up fast in the agricultural sector in the country, with large corporate and MNCs evincing interest and participating in a big way in the projects across the country;

(b) if so, what are the details in this regard, with its merits and de-merits in relation to small farmers;

(c) whether, the interest of farmers is taken care of in this emerging concept of farming; and

(d) if so, the details in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF AGRICULTURE (SHRI HUKUMDEO NARAYAN YADAV) (a) and (b) Contract farming arrangements of different types have existed in various parts of the country for both subsistence and commercial crops. The commercial crops like sugarcane, cotton, tea, coffee etc. have always involved some forms of contract farming. Even in the case of some fruit crops and fisheries, contract farming arrangements, involving mainly the forward trading of commodities have been observed. In contract farming companies enter into contracts for marketing of the horticultural produce of the farmers and also provide inputs, technologies and capital to contract farmers. According to this, agreements are made between the farmer and the other parties and the latter contributes to the management of the farm through input supply as well as technical guidance and also markets the produce.

Contract farming is becoming an increasingly important aspect of agribusiness, whether products are purchased by multinationals or by smaller companies. There are few success stories on contract farming such as Pepsico India in respect of potato, tomato, groundnut and chilli in Punjab, safflower in Madhya Pradesh, Oil palm in Andhra Pradesh, seed production contracts for hybrids seed companies etc. which helped the growers in realization of better returns for their produce. Other success stories of contract farming are Amul and NDDB for milk procurement, sugarcane cooperative Maharashtra, and prawn-acqua culture in Andhra Pradesh. In our country this approach has considerable potential where small and marginal farmers can no longer be competitive without access to modern technologies and support. The contractual agreement with the farmer provides access to production services and credit as well as knowledge of new technology. Pricing arrangements can significantly reduce the risk and uncertainty of market place.

(c) and (d) An Inter-Ministerial Task Force constituted by this Ministry to suggest reforms in agricultural marketing sector, in its report has observed that small farmers in India are generally capital starved and cannot make major investment in land improvement and modern inputs. Contract farming can fill up this gap by providing the farmers with quality inputs, technical guidance and management skills. Although the company deals only with the contract crop, the farmers' overall management skill may improve, thereby helping him to raise the yields of both contract and non-contract crops.

With a view to safeguard the interests of farmers under Contract Farming, the Task Force has made the following recommendations:

(a) The contract farming should be made legal. In case of violation of contract, from either side, farmers as well as the company should be in a position to approach an organization or institution, which can mediate and settle the dispute.

(b) There should be an institutional arrangement to record all contractual arrangements, may be with the local market committee or panchayat or some Government machinery. This will promote and strengthen confidence building between the parties and also help solve any dispute, arising out of violation of contract.

(c) The contract farming should have a provision for both forward and backward linkages. Unless both input supply and market for the produce are assured, small farmers will not be in a position to participate in contract farming.

(d) The contracts should be managed in a more transparent and participatory manner so that there is greater social consensus in handling contract violation from either side without getting involved in costly as well as lengthy process of litigation. Also the contract need to be drawn in a more comprehensive and flexible manner.

(e) There should be a contract farmers association or cooperatives at the plant level which will improve their bargaining power *vis-a-vis* the company and promote equality of partnership for ensuring smooth functioning of any contract farming arrangement.

(f) The most important thing for the sustainability of contract farming is the selection of appropriate plant genotype. Unless the plant material is of good quality and high yielding and less prone to pests and diseases, the contract farmers may lose confidence and discontinue the cultivation of contract crop in question.

(g) The proposed contract crop should have a distinct advantage in terms of relative yield and profit, which will provide higher income to the contract farmers on stable basis.

The report of the Task Force was discussed in the National Conference on Agricultural Marketing Reforms held on 27th September, 2002. Since the subject falls within the purview of the State Governments, they were requested to go ahead with the implementation of the reform measures as suited to them.

Establishment of fodder banks

4342. SHRI AHMED PATEL : Will the Minister of AGRICULTURE be pleased to state :

(a) whether it is a fact that Government are providing Central funds to the States for the establishment of Fodder Banks in the States to meet the exigencies in natural calamities;

(b) if so, the details thereof; and

(c) the funds released to Gujarat, so far, for the purpose and results achieved therefrom?

THE MINISTER OF STATE IN THE MINISTRY OF AGRICULTURE (SHRI HUKUM DEO NARAYAN YADAV) : (a) Yes, Sir.

(b) During 2002-2003 the State of Karnataka, J & K and Uttaranchal were granted Rs.13.55 lakhs, Rs. 55.50 lakhs and Rs. 54.60 lakhs respectively for establishment of fodder banks.

(c) Government of Gujarat was sanctioned an amount of Rs.79.00 lakhs for two fodder banks during 1999-2000. The State of Gujarat has furnished the fund utilization Certificate for Rs. 26.34 lakhs only.

Import of seeds

4343. MISS PRAMILA BOHIDAR: Will the Minister of AGRICULTURE be pleased to state :

(a) whether the Government have to import seeds of improved varieties, in order to meet shortages;

(b) if so, the total number of varieties of seeds imported during the last three years and the amount spent thereon; and

(c) the details of its distribution, State-wise?

THE MINISTER OF STATE IN THE MINISTRY OF AGRICULTURE (SHRI HUKUMDEO NARAYAN YADAV) : (a) No, Sir.

(b) and (c): Do not arise.